

1 **SUPPLEMENTAL TESTIMONY OF**
2 **CHRISTOPHER P.N. WOODCOCK**
3

4 **Q: Please state your name and business address?**

5 A: My name is Christopher P.N. Woodcock and my business address is 18 Increase
6 Ward Drive, Northborough, Massachusetts 01532.
7

8 **Q: Are you the same person that prefiled testimony in this docket?**

9 A: Yes I am.
10

11 **Q: What is the purpose of this supplemental testimony?**

12 A: As a result of data requests in this docket from both the Division and the Commis-
13 sion I have found some errors in my original testimony and schedules that I would
14 like to correct. While the parties could be notified and the corrections made during
15 the rebuttal phase, I thought it would be easier for all involved to present these cor-
16 rections sooner rather than later.
17

18 **Q: Can you please summarize the corrections?**

19 A: There are seven changes to the original schedules:
20 1. The debt service shown on Schedule 1D for the refunded bonds was incorrect for
21 FY 2005 and FY 2006 (the rate year).
22 2. The interest income on the O&M Reserve (schedule 1D, page 3) was incorrect.
23 Because this flows to the Revenue Fund, the Interest Income was also incorrect.
24 3. The requested Operating Reserve was calculated incorrectly. As a result of the
25 Commission's recent ruling in Docket 3626, we have revised this as well.
26 4. The amount of the chemical potassium hydroxide shown on Schedule 1D, page 1
27 was incorrect.
28 5. The miscellaneous revenues did not include revenues from inspection fees.
29 6. There was no adjustment to test year purchased water corresponding to the re-
30 duction in sales to On Semiconductor.

1 7. As a result of the above changes, we have revised the claim for IFR as dis-
2 cussed on page 7, lines 28-29, to my original testimony.
3

4 **Q: Have these changes resulted in a revision to the overall amount the Authority**
5 **is requesting?**

6 A: No they have not. While there has been a reduction to a number of items, the re-
7 quest for Infrastructure Replacement Funds has increased, resulting in the same
8 overall 25% increase. As I had indicated in my original testimony, we had re-
9 quested no change from the \$3.4 million currently authorized even though the Au-
10 thority's IFR plan calls for annual funding of \$6 million. We had not asked for an in-
11 crease in order to stay within the 25% cap for an abbreviated filing. However, I had
12 also indicated in my prefiled testimony that if any item was reduced, that we were
13 requesting a commensurate increase in the IFR allowance to bring us closer to the
14 \$6 million authorized.
15

16 **Q: Have you prepared updated schedules showing these corrections?**

17 A: Yes I have. They are the same schedules I had originally prepared. They can be
18 distinguished by the Docket No on the upper left and date at the bottom right.
19 These should be substituted for those originally submitted.
20

21 **Q: Please describe the change to the first correction – the 2004 refunding bonds.**

22 A: In preparing the original filing I did not use the correct schedule for the new bonds
23 for payments in FY 2005 and FY 2006. The amount I showed for FY 2005 and the
24 Rate Year were actually the amounts for the 2002 bonds in prior years. The revised
25 schedule shows the correct amounts. This correction has reduced the debt re-
26 quirement by over \$600,000.
27

1 **Q: Please describe the second revision – the interest income on the O&M re-**
2 **serve.**

3 A: In tabulating the monthly interest income and transfers to the revenue fund I picked
4 up an incorrect value. The original filing showed \$22,923 of interest in the rate year.
5 As shown on the attached revised version, the correct amount was \$21,312. Be-
6 cause this is one of the two restricted funds where interest earnings go back to the
7 revenue fund as interest income, this also impacted the miscellaneous or non-rate
8 revenues shown on Schedule 1 and all the subsequent schedules where this was
9 used.

10
11 **Q: What change have you made to the requested operating reserve?**

12 A: As discussed on pages 11 and 12 of my prefiled testimony I believe the Commis-
13 sion's recent application of the 1.5% operating reserve to only non-capital costs is
14 detrimental to the State's regulated water utilities. I don't believe this properly re-
15 flects the variations in total revenues caused by fluctuating sales. Looking at calen-
16 dar years 1993 – 2004, the Authority's annual sales have varied from a low of 0.1%
17 difference from the average (1998) to a high of 5.9% less than the average (1996
18 and 2003). Over this period the sales have varied by an average of more than
19 3.3%. Providing an operating reserve that is less than 1% of the total revenues is
20 not sufficient in my opinion.

21
22 Nevertheless, in some recent cases the Commission has ruled that the 1.5% oper-
23 ating reserve will only be applied to non-capital costs. This was recently affirmed in
24 Docket 3626. Recognizing this, I have calculated the operating reserve to be 1.5%
25 of the costs excluding debt service, R&R, and IFR.

26
27 **Q: Please describe the change to chemical costs.**

28 A: In reviewing chemical use for the past five years for a data request, we found that
29 the test year amount reported for potassium hydroxide was incorrect. This has
30 been corrected on Schedule 1D and all other related schedules.

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Q: The fifth correction you note is related to inspection fee revenues. Can you explain this?

A: In summarizing the various miscellaneous revenues, I failed to include revenues from inspection fees. These are fees charged to developers for the cost of inspecting newly installed lines. The Authority accounts for these as an advance for construction until the job is complete and then books the revenue at the end of the year to avoid showing a “negative revenue” if the advance has to be refunded. I had failed to pick these up until they were brought to my attention in responding to a Division data request. This change is also presented on Schedule 1 and all the resulting schedules.

Q: What was the sixth adjustment – the change to purchased water costs?

A: As noted in the original filing, we have made an adjustment to the test year sales for the loss of a large customer -- On Semiconductor. However, I did not reduce the purchased water or the resulting charges from Providence Water that will result from the reduced sales. Schedule 1C now presents that adjustment, and the reduced purchased water costs are shown on Schedule 1 and the schedules that are related to it.

Q: You mentioned that you have adjusted the request for IFR as a result of these others changes. Is there a change to the amount you are requesting?

A: No there is not. Our original request was for an increase in revenues of \$3,172,794. As shown on Schedule 11, with the adjustments I have made the request is essentially the same -- \$3,172,655. Aside from a penny difference due to rounding on some charges, the rates shown on Schedule 9 are the same as those presented in the original filing.

PRO FORMA EXPENSES

<u>Expense Item</u>	<u>Test Year FY 2004</u>	<u>Summary of Adjustments</u>	<u>Rate Year FY 2006</u>	<u>Labor Increase (CPNW Sch 1B)</u>	<----- Adjustments Detail ----->			
					<u>One Time Costs</u>	<u>Other Adjustments</u>	<u>Supporting Schedule</u>	<u>Non-Labor Inflation</u>
SOURCE OF SUPPLY								
operations	\$16,627	\$8,373	\$25,000	0	\$8,373		Sch. 1C, 1D	0
purchased water	3,866,831	-262,894	3,603,937	0		-262,894	Sch. 1C	
Subtotal	3,883,458	-254,521	3,628,937	0	8,373	-262,894		0
PUMPING OPERATIONS								
fuel for pumping	813	\$0	813	0				0
power-pumping	415,850	\$0	415,850	0				0
labor-pumping	59,551	\$4,865	64,417	4,865				0
pumping expense	4,655	\$0	4,655	0				0
maint. - structures & improv	32,596	\$2,134	34,730	2,134				0
diesel oil	0	\$0	0	0				0
maint. - equip	45,056	\$2,418	47,474	2,418				0
Subtotal	558,522	9,417	567,939	9,417	0	0		0
WATER TREATMENT								
chemicals	45,456	\$5,954	51,411	0		5,954	Sch. 1D	0
labor	66,938	\$5,462	72,400	5,462				0
operating	49,901	\$0	49,901	0				0
maint. - water treat equip	7,862	\$130	7,992	130				0
maint. - structure	183	\$0	183	0				0
Subtotal	170,339	11,546	181,885	5,592	0	5,954		0
TRANS & DISTR. EXPENSE								
storage facilities exp.	427	\$0	427	0				0
labor	24,954	\$2,036	26,990	2,036				0
supplies	30,153	\$0	30,153	0				0
labor-meter	2,576	\$665	3,242	665				0
material-meter	6,378	\$0	6,378	0				0
cust. install.	0	\$0	0	0				0
misc.	15,993	\$0	15,993	0				0
maint - struct. & improv.	2,204	\$0	2,204	0				0
maint.- res & stdp	11,296	\$766	12,061	766				0
maint. - mains	468,020	\$29,005	497,024	29,005				0
maint. - service	133,116	\$6,926	140,041	6,926				0
maint. - meters	44,527	\$3,583	48,110	3,583				0
maint. - hydrants	84,620	\$4,466	89,086	4,466				0
construction labor	-27,826	\$0	-27,826	0				0
Subtotal	796,437	47,446	843,883	47,446	0	0	0	0

PRO FORMA EXPENSES

					<----- Adjustments Detail ----->			
<u>Expense Item</u>	<u>Test Year FY 2004</u>	<u>Summary of Adjustments</u>	<u>Rate Year FY 2006</u>	<u>Labor Increase (CPNW Sch 1B)</u>	<u>One Time Costs</u>	<u>Other Adjustments</u>	<u>Supporting Schedule</u>	<u>Non-Labor Inflation</u>
CUSTOMER ACCOUNT								
labor- meter read	74,671	\$6,093	80,765	6,093				0
cust record labor	145,116	\$11,841	156,957	11,841				0
cust records exp	48,156	\$0	48,156	0				0
meter read supplies	0	\$0	0	0				0
uncollectible	0	\$0	0	0				0
Subtotal	267,944	17,935	285,878	17,935	0	0		0
ADMIN. & GENERAL								
salaries	227,101	\$18,531	245,632	18,531				0
office supplies & expenses	136,477	\$0	136,477	0				0
insurance	139,252	\$24,549	163,801	0		24,549	Sch. 1D	0
injuries & damages	598	\$0	598	0				0
employee benefits	769,058	\$57,668	826,726	150		57,518	Sch. 1D	0
fees	0	\$1,224	1,224	1,224				0
maint. - plant	132,160	\$7,464	139,624	7,464				0
maint. - vehicles	58,623	\$1,541	60,163	1,541				0
miscellaneous	53,569	\$0	53,569	0				0
vacation, holiday, sick	188,175	\$17,331	205,506	17,331				0
regul. exp.	49,817	\$28,183	78,000	0		28,183	Sch. 1E	0
other	0	\$0	0	0				0
outside service	153,761	\$0	153,761	0				0
Subtotal	1,908,590	156,491	2,065,082	46,241	0	110,250		0
TOTAL O&M	\$7,585,290	-\$11,685	\$7,573,605	\$126,631	\$8,373	-\$146,689		\$0

PRO FORMA EXPENSES

					<----- Adjustments Detail ----->			
<u>Expense Item</u>	<u>Test Year</u> <u>FY 2004</u>	<u>Summary of</u> <u>Adjustments</u>	<u>Rate Year</u> <u>FY 2006</u>	<u>Labor Increase</u> <u>(CPNW Sch 1B)</u>	<u>One</u> <u>Time Costs</u>	<u>Other</u> <u>Adjustments</u>	<u>Supporting</u> <u>Schedule</u>	<u>Non-Labor</u> <u>Inflation</u>
FIXED CHARGES								
Debt Service								
Existing	\$3,899,419	-\$3,488	\$3,895,931			-3,488	Sch. 1D	
New	0	\$0	0			0		
Reserves and Coverage								
O&M Reserve	181,575	-181,575	0			-181,575	Sch. 1D	
R&R Reserve	56,506	-5,493	51,013			-5,493	Sch. 1D	
Renewal & Replacement - Equip	100,000	\$0	100,000					
Infrastructure Replacement	3,464,600	615,400	4,080,000			615,400	Sch. 1D	
Payroll Taxes	123,920	11,335	135,255			11,335	Sch. 1D	
PILOT	23,172	0	23,172			0		
SUBTOTAL FIXED	\$7,849,192	\$436,179	\$8,285,371	\$0	\$0	\$436,179		\$0
OPERATING REVENUE	\$0	\$118,524	118,524			118,524		
TOTAL EXPENSES	\$15,434,482	\$543,018	\$15,977,500	\$126,631	\$8,373	\$408,013		\$0
Less:								
Available Restrict Debt	0	0	0			0		
Miscellaneous Income	-170,967	0	-170,967				Sch. 1A	
Interest Income	-25,646	0	-25,646				Sch. 1A	
Merchand & Jobbing	-21,126	0	-21,126				Sch. 1A	
6.9% of Water Prot Fee	-61,276	0	-61,276				Sch. 1A	
NET REQUIRED FROM RATES	\$15,155,467	\$543,018	\$15,698,485					

TEST YEAR & PRO FORMA REVENUES

<u>Revenues</u>	<u>Test Year Revenues</u>	<u>Adjustments</u>	<u>Normalized Test Year</u>	
Miscellaneous				
Available Restrict Debt	\$0	\$0	\$0	
Miscellaneous Income	\$170,967	\$0	\$170,967	
Interest Income	\$25,646	\$0	\$25,646	
Merchand & Jobbing	\$21,126	\$0	\$21,126	
6.9% of Water Prot Fee	<u>\$61,276</u>	<u>\$0</u>	<u>\$61,276</u>	
Total Misc.	\$279,014		\$279,014	
Metered Rates	\$12,166,342	(\$492,611)	\$11,673,732	(1)
Public Fire	\$865,493	(\$1,818)	\$863,675	(1)
Private Fire	\$147,205	\$2,728	\$149,933	(1)
Total Revenue	\$13,458,055	-\$491,701	\$12,966,355	
<u>Required Revenue</u>			\$15,977,500	
<u>Required Revenue from Rates</u>			\$15,698,485	
<u>Rate Increase Needed (2)</u>			\$3,011,145	23.73%

NOTES:

(1) Rate Year Revenues at Current Rates based on Sch. 11 - current rates for full year.

(2) Normalized Test Year Revenues (Sch. 11) = \$12,966,355

TEST YEAR & RATE YEAR LABOR COSTS

EXPENSE ITEM	Test Year		Rate Year FY 2006
	FY 2004	Adjustments (1)	
SOURCE OF SUPPLY			
operations	\$0	0	\$0
purchased water	\$0	0	\$0
PUMPING OPERATIONS			
fuel for pumping	\$0	0	\$0
power-pumping	\$0	0	\$0
labor-pumping	\$59,624	4,865	\$64,489
pumping expense	\$0	0	\$0
maint. - structures & improv	\$26,148	2,134	\$28,281
diesel oil	\$0	0	\$0
maint. - equip	\$29,636	2,418	\$32,055
WATER TREATMENT			
chemicals	\$0	0	\$0
labor	\$66,938	5,462	\$72,400
operating	\$0	0	\$0
maint. - water treat equip	\$1,590	130	\$1,720
maint. - structure	\$0	0	\$0
TRANS & DISTR. EXPENSE			
storage facilities exp.	\$0	0	\$0
labor	\$24,954	2,036	\$26,990
supplies	\$0	0	\$0
labor-meter	\$8,154	665	\$8,820
material-meter	\$0	0	\$0
cust. install.	\$0	0	\$0
misc.	\$0	0	\$0
maint - struct. & improv.	\$0	0	\$0
maint.- res & stdp	\$9,382	766	\$10,147
maint. - mains	\$355,448	29,005	\$384,453
maint. - service	\$84,872	6,926	\$91,798
maint. - meters	\$43,905	3,583	\$47,488
maint. - hydrants	\$54,733	4,466	\$59,199
construction labor	\$0	0	\$0
CUSTOMER ACCOUNT			
labor- meter read	\$74,671	6,093	\$80,765
cust record labor	\$145,116	11,841	\$156,957
cust records exp	\$0	0	\$0
meter read supplies	\$0	0	\$0
uncollectible	\$0	0	\$0
ADMIN. & GENERAL			
salaries	\$227,101	18,531	\$245,632
office supplies & expenses	\$0	0	\$0
insurance	\$0	0	\$0
injuries & damages	\$0	0	\$0
employee benefits	\$4,950	150	\$5,100
fees	\$15,000	1,224	\$16,224
maint. - plant	\$91,473	7,464	\$98,937
maint. - vehicles	\$18,881	1,541	\$20,422
miscellaneous	\$0	0	\$0
vacation, holiday, sick	\$212,390	17,331	\$229,721
regul. exp.	\$0	0	\$0
other	\$0	0	\$0
outside service	\$0	0	\$0
SUBTOTAL LABOR	\$1,554,967	\$126,631	\$1,681,598
Capitalized Labor	\$79,921	6,522	\$86,442
TOTAL LABOR COSTS	\$1,634,888	\$133,153	\$1,768,040
(1) See Schedule 1D			85,689

WHOLESALE WATER COSTSWholesale Water Purchases

	<u>Rate (\$/mg)</u>	<u>Purchases (mg)</u>	<u>Cost</u>
PWSB Rate (/mg)	<u>\$1,132.89</u>	3,181.19	\$3,603,937
Net Wholesale Purchases (gallons) - 3 yr avg.			
Warwick Purchases		528,560,956	
PWSB Purchases		<u>2,719,905,464</u>	
Total Purchases		3,248,466,420	
Sales To Warwick		<u>-67,277,364</u>	
Net Purchases		3,181,189,056	

Fiscal Yr -- >	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>Adjustment *</u>	<u>Pro Forma</u>
KCWA Production (1000 gal)	<u>602,399</u>	<u>655,223</u>	<u>370,545</u>		370,545
Warwick Purch (1000 gal)	<u>437,042</u>	<u>314,439</u>	<u>528,561</u>		528,561
PWSB Purch (1000 gal)	<u>2,642,298</u>	<u>2,662,409</u>	<u>2,884,658</u>	<u>-164,752</u>	<u>2,719,905</u>
Total	3,681,739	3,632,071	3,783,764	-164,752	3,619,012
 Total Purchased	 3,079,340	 2,976,848	 3,413,219		 3,248,466
Sales To Warwick (1000 gal)	<u>72,294</u>	<u>71,910</u>	<u>67,277</u>		67,277
Net Purchases	3,007,046	2,904,938	3,345,941		3,181,189
	16.4%	18.0%	9.8%		10.2%

* PWSB Test Year Purchases reduced for loss of On Semiconductor - see Sch. 2

EXPLANATION OF ADJUSTMENTS TO TEST YEAR COSTS

Adjustment to:	Explanation	lbs or gal/yr	cur. \$/lb or gal	Annual Cost
Treatment: Chemicals				
	Lime			
	Bulk (lbs)	35,400	\$0.0702	\$2,485
	Bags (lbs)	42,500	\$0.1250	\$5,313
	Pot. Hydrox. (lbs)	220,321	\$0.1631	\$35,934
	Sequestering Agent *	511	\$7.6132	\$3,890
	Chlorine (gal)	990	\$1.4960	\$1,481
	Fuel Charge			\$330
	Annual Amount			\$49,433
	Plus Inflation (4%)			\$1,977
	Rate Year Amount			\$51,411

* new chemical - based on Engineer's Estimate of 1.4 gal/day

Fixed Charges Associated with Debt Service:

O&M Reserve	Set to achieve reserve level equal to 25% of operating costs.	
	"O&M" Costs (Sch. 1) =	\$7,573,605
	Payroll Taxes	\$135,255
	PILOT	\$23,172
	Total Operating	\$7,732,032
	Required O&M Reserve	\$1,933,008
	Balance 7/1/04	\$1,898,250
	Estim FY 2005 Deposits	181,575
	Estim. Balance 6/3/05	2,079,825
	Required deposit =	\$0
R&R Reserve	Set to equal 1% of Net Utility Plant (NUP)	
	NUP Value (6/30/04)	\$58,499,021
	Estimated Additions	\$5,000,000
	Pro Forma NUP	\$63,499,021
	Required Balance (1%)	\$634,990
	Balance 7/1/04	\$521,820
	Estimated Additions	62,157
	Estim. Balance 6/30/05	583,977
	Addition to Reserve Required	\$51,013

Debt Service

<u>1994 Bonds - Refunded 3/2004*</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>
Principal	\$710,000	968,805	915,000
Interest	\$715,345	276,072	336,225
Total	\$1,425,345	\$1,244,877	\$1,251,225
<u>2001 Bonds (\$10 million)</u>			
Principal	\$340,000	\$355,000	\$365,000
Interest	\$438,024	\$425,418	\$412,374
Total	\$778,024	\$780,418	\$777,374
<u>2002 Bonds (\$24.39 million)</u>			
Principal	\$400,000	\$810,000	\$840,000
Interest	\$1,296,050	\$1,056,208	\$1,027,333
Total	\$1,696,050	\$1,866,208	\$1,867,333
Total Existing	\$3,899,419	\$3,891,502	\$3,895,931

*Note: In FY 2004 there was an additional redemption for the 1994 Series A bonds of \$968,805.06 paid in July (FY 05)

These bonds were refinanced in March 2004 and payments in 05 and 06 reflect the refunded bonds.

There were disbursements of \$66,627 on the refunded bonds for issuance costs that are not shown.

EXPLANATION OF ADJUSTMENTS TO TEST YEAR COSTS**Infrastructure Replacement**

Based on the June 2003 IFR Report for KCWA the annual IFR requirement is approximately \$6 million. In this case we are requesting annual funding of **\$4,080,000**
 Increase over test year = \$615,400

Water Supply Management Plan (Source of Supply Ops)

Cost of Water Supply & Infrastructure Plans = **\$125,000**
 Amortize over 5 yrs \$25,000
 Change over Test Year \$8,373

Payroll Taxes set at 7.65% of salaries

Insurance - Worker's Comp and Liability/Property

	<u>FY 05 Premiums</u>	<u>FY 06</u>	
Worker's Comp	\$45,668	\$51,246	Based on Increase FY 04 - FY 05
Liability/Property	\$112,555	\$112,555	
Total	\$158,223	\$163,801	
Increase over Test Year		\$24,549	

Benefits/Pension

	<u>Test Year</u>	<u>FY 2005</u>	<u>Rate Year</u>	<u>Increase</u>
Medical - Blue Cross	\$452,381	\$479,973	\$479,973	0.00%
Dental - Delta Dental	\$39,664	\$41,437	\$41,437	0.00%
Group P-65 Retirees	\$37,158	\$63,203	\$63,203	0.00%
Life insurance - Boston Mutual	\$7,271	\$7,954	\$7,954	0.00%
Disability Insurance - Fortis	\$3,510	\$3,802	\$3,802	0.00%
Pension	\$216,088	\$218,400	\$218,400	0.00%
RIEAP	\$2,172	\$972	\$972	0.00%
Education	\$5,866	\$5,884	\$5,884	0.00%
Totals	\$764,108	\$821,626	\$821,626	
Increase over Test Year			57,518	

PILOT

based on following payments in lieu of taxes:

<u>City & Towns</u>	<u>Totals</u>
W. Warwick	\$8,264.82
Warwick	\$106.81
Coventry	\$12,813.37
Scituate	\$260.05
W. Greenwich	\$364.43
<u>Fire Districts</u>	
Coventry	\$302.50
Harris	\$50.00
Tiogue	\$121.29
Cent Coventry	\$348.51
Hopkins Hills	\$540.18
	\$23,171.96

Labor Adjustments - Based on Test Year Labor costs

A. All items labor increased by **4.0%** per year for 2 years. Includes longevity and certification upgrades.

Non-Labor Inflation

Non-labor items were increased from the test year **0.00%**
 per year or 0.00% over 2 years to account for inflation.

Restricted Funds Activity FY 2004

	<u>R&R Reserve</u>	<u>O&M Reserve</u>	<u>Debt ***</u>	<u>IFR **</u>	<u>R&R Equip</u>
Beginning Balance (7/1/03)	\$465,314	\$1,716,675	\$4,728,149	\$5,566,851	\$96,372
Funding	\$56,506	\$181,575	\$3,410,156	\$3,464,600	\$100,000
Interest	\$4,202	\$21,312	\$36,397	\$52,769	\$512
Expenditures (actual) *	<u>\$4,202</u>	<u>\$21,312</u>	<u>\$4,934,851</u>	<u>\$6,327,965</u>	<u>\$86,569</u>
Ending Balance (6/30/04)	\$521,820	\$1,898,250	\$3,239,852	\$2,756,256	\$110,314

* For O&M Reserves and R&R Accounts the expenditures = transfers of interest earnings to revenue fund

** In FY 2004 an additional \$64,600 was deposited due to trustee making incorrect transfers.

*** Debt Service is maintained in separate accounts for each bond issue as follows:

	<u>1994 Series A</u>	<u>2001 Series A</u>	<u>2002 Series A</u>	<u>2004 Series A</u>	<u>Total Debt</u>
Beginning Balance (7/1/03)	\$1,182,074	\$729,058	\$2,817,017	\$0	\$4,728,149
Funding (TY - Restricted Amt)	\$1,206,811	\$842,004	\$1,212,088	\$149,254	\$3,410,156
Interest	\$6,677	\$4,336	\$25,371	\$13	\$36,397
Expenditures (actual)	<u>\$2,394,150</u>	<u>\$778,024</u>	<u>\$1,696,050</u>	<u>\$66,627</u>	<u>\$4,934,851</u>
Ending Balance (6/30/04)	\$1,411	\$797,374	\$2,358,426	\$82,641	\$3,239,852

SUPPLEMENTAL DATA**Regulatory Expenses**

<u>Fiscal Year</u>	<u>PUC</u>	<u>Legal</u>	<u>Consultants</u>	<u>Other</u>	<u>Assessment</u>	<u>Total</u>
1996	1,471	21,492	32,013	2,095		57,071
1997	1,579	14,654	60,776	7,378		84,387
1998	20,769	19,524	18,719	324		59,336
1999	17,345	25,745	29,135	5,909		78,134
2000	31,761	16,442	22,538	198		70,939
2001	23,224	24,077	57,935	5,601		110,837
2002	28,422	26,717	43,348	1,289		99,776
2003	25,732	10,143	18,707	99	0	54,681
2004						49,817
5 Year Average						77,210
Estimated RY						78,000

Note: Annual regulatory expense allowance per Docket No. 3311 (effective 12/13/2001) was \$89,888. Estimated costs for current docket are shown below. These do **NOT** include KCWA regulatory costs for intervention in filings by Providence Water nor do they include costs for pass through rate filings to pass on wholesale rate increases.

	<u>Estim -Dec 2004</u>	<u>To Complete</u>	<u>Total</u>
KCWA Consulting/Legal	\$30,000	\$50,000	\$80,000
KCWA Expenses		\$5,000	\$5,000
Division		\$30,000	\$30,000
Total	\$30,000	\$85,000	\$115,000

UNITS OF SERVICE

	Test Year <u>Actual</u>	<u>Adjustments</u>	Rate <u>Year</u>	<u>Explanation</u>
<u>Metered Water Sales (100 cubic feet)</u>				
Small (5/8-2" meters)	3,261,885	0	3,261,885	
Medium (3&4" meters)	398,697	0	398,697	
Large (6" & up meters)	<u>543,827</u>	-220,257	<u>323,570</u>	see below
	4,204,409		3,984,152	
<u>Meters By Size</u>				
<u>Quarterly</u>	<u>6/30/04</u>			
5/8 & 3/4	<u>22,079</u>	0	22,079	
1	<u>3,260</u>	0	3,260	
1 1/2	<u>306</u>	0	306	
2	<u>491</u>	0	491	
3	<u>19</u>	0	19	
4	<u>47</u>	0	47	
6	<u>57</u>	0	57	
8 & up	<u>36</u>	0	36	
<u>Monthly</u>				
5/8 & 3/4	<u>5</u>	0	5	
1	<u>0</u>	0	0	
1 1/2	<u>7</u>	0	7	
2	<u>10</u>	0	10	
3	<u>2</u>	0	2	
4	<u>5</u>	0	5	
6	<u>6</u>	0	6	
8 & up	<u>4</u>	0	4	
<u>Public Fire Service</u>				
	<u>6/30/04</u>			
Public Fire Hydrants	<u>2,265</u>	0	2,265	
Bills	<u>52</u>	0	52	
<u>Private Fire Service (as of 6/30/04)</u>				
<u>Size (in)</u>				
4	<u>16</u>	0	16	
6	<u>112</u>	0	112	
8	<u>28</u>	0	28	
10	<u>1</u>	0	1	
12	<u>1</u>	0	1	
Hydrants	<u>157</u>	0	157	
<u>Changes in Water Use (ccf/yr)</u>				
<u>On Semiconductor</u>	<u>TY Use</u>	<u>RY Use</u>	<u>Adjustment</u>	
311074	<u>219,417</u>	0	-219,417	
312645	<u>0</u>	0	0	
312646	<u>1,300</u>	<u>460</u>	<u>-840</u>	
Total	220,717	460	-220,257	

COMPARISON TO CURRENT RATES

		<u>Current</u>	<u>Proposed</u>	<u>% Change</u>
<u>Metered Rates</u>				
Small (5/8-2" meters)		\$2.851	\$3.564	25.01%
Medium (3&4" meters)		\$2.416	\$3.020	25.00%
Large (6" & up meters)		\$2.047	\$2.559	25.01%
<u>Service Charges</u>				
Quarterly	5/8 & 3/4	\$6.60	\$8.25	25.00%
	1	\$7.92	\$9.90	25.00%
	1 1/2	\$10.40	\$13.00	25.00%
	2	\$12.54	\$15.67	24.96%
	3	\$15.35	\$19.19	25.02%
	4	\$20.80	\$26.00	25.00%
	6	\$32.86	\$41.07	24.98%
	8 & up	\$53.83	\$67.28	24.99%
	5/8 & 3/4	\$5.50	\$6.87	24.91%
	1	\$5.94	\$7.42	24.92%
Monthly	1 1/2	\$6.76	\$8.45	25.00%
	2	\$7.48	\$9.35	25.00%
	3	\$8.42	\$10.52	24.94%
	4	\$10.23	\$12.79	25.02%
	6	\$14.25	\$17.81	24.98%
	8 & up	\$21.24	\$26.55	25.00%
<u>Fire Service (per quarter)</u>				
Public	/hydrant	\$95.30	\$119.12	24.99%
	/bill	\$4.95	\$6.19	25.05%
Private (per quarter)				
	4 in	\$41.59	\$51.98	24.98%
	6 in	\$109.46	\$136.82	25.00%
	8 in	\$225.85	\$282.29	24.99%
	10 in	\$402.60	\$503.21	24.99%
	12 in	\$646.64	\$808.24	24.99%
	hydrant	\$109.46	\$136.82	25.00%

	METER	QUARTERLY	CURRENT	<----- PROPOSED ----->		
	SIZE	USE - CU FT	RATES	NEW BILL	\$ INCREASE	% INCREASE
Small	5/8	2,000	\$63.62	\$79.53	\$15.91	25.0%
	5/8	2,500	\$77.88	\$97.35	\$19.48	25.0%
	5/8	3,500	\$106.39	\$132.99	\$26.61	25.0%
	5/8	4,000	\$120.64	\$150.81	\$30.17	25.0%
	5/8	5,000	\$149.15	\$186.45	\$37.30	25.0%
	5/8	6,000	\$177.66	\$222.09	\$44.43	25.0%
	5/8	6,666	\$196.65	\$245.83	\$49.18	25.0%
	5/8	8,000	\$234.68	\$293.37	\$58.69	25.0%
	5/8	10,000	\$291.70	\$364.65	\$72.95	25.0%
	5/8	12,000	\$348.72	\$435.93	\$87.21	25.0%
	5/8	14,000	\$405.74	\$507.21	\$101.47	25.0%
	5/8	15,000	\$434.25	\$542.85	\$108.60	25.0%
	5/8	20,000	\$576.80	\$721.05	\$144.25	25.0%
	5/8	25,000	\$719.35	\$899.25	\$179.90	25.0%
	1	30,000	\$863.22	\$1,079.10	\$215.88	25.0%
	1	40,000	\$1,148.32	\$1,435.50	\$287.18	25.0%
	1	46,666	\$1,338.37	\$1,673.08	\$334.71	25.0%
	1	75,000	\$2,146.17	\$2,682.90	\$536.73	25.0%
	2	100,000	\$2,863.54	\$3,579.67	\$716.13	25.0%
	2	200,000	\$5,714.54	\$7,143.67	\$1,429.13	25.0%
2	300,000	\$8,565.54	\$10,707.67	\$2,142.13	25.0%	
2	400,000	\$11,416.54	\$14,271.67	\$2,855.13	25.0%	
2	600,000	\$17,118.54	\$21,399.67	\$4,281.13	25.0%	
Medium	3	200,000	\$4,847.35	\$6,059.19	\$1,211.84	25.0%
	3	400,000	\$9,679.35	\$12,099.19	\$2,419.84	25.0%
	3	600,000	\$14,511.35	\$18,139.19	\$3,627.84	25.0%
	4	800,000	\$19,348.80	\$24,186.00	\$4,837.20	25.0%
	4	1,000,000	\$24,180.80	\$30,226.00	\$6,045.20	25.0%
	4	1,200,000	\$29,012.80	\$36,266.00	\$7,253.20	25.0%
Large	6	400,000	\$8,220.86	\$10,277.07	\$2,056.21	25.0%
	6	600,000	\$12,314.86	\$15,395.07	\$3,080.21	25.0%
	6	800,000	\$16,408.86	\$20,513.07	\$4,104.21	25.0%
	6	1,200,000	\$24,596.86	\$30,749.07	\$6,152.21	25.0%
	6	1,333,333	\$27,326.19	\$34,161.06	\$6,834.87	25.0%
	8	2,000,000	\$40,993.83	\$51,247.28	\$10,253.45	25.0%
	8	5,000,000	\$102,403.83	\$128,017.28	\$25,613.45	25.0%
	8	10,000,000	\$204,753.83	\$255,967.28	\$51,213.45	25.0%
	8	24,000,000	\$491,333.83	\$614,227.28	\$122,893.45	25.0%
	Municipal Fire Service	300 hydrants	\$28,594.95	\$35,742.19	\$7,147.24	25.0%
Private Fire Service	6 Inch Service	\$109.46	\$136.82	\$27.36	25.0%	

REVENUE RECONCILIATION

Service Charge:		<----- Current ----->		<----- Proposed ----->	
<u>Quarterly</u>	<u>Number</u>	<u>Rate</u>	<u>Revenue</u>	<u>Rate</u>	<u>Revenue</u>
5/8 & 3/4	88,316	\$6.60	\$582,886	\$8.25	\$728,607
1	13,040	\$7.92	\$103,277	\$9.90	\$129,096
1 1/2	1,224	\$10.40	\$12,730	\$13.00	\$15,912
2	1,964	\$12.54	\$24,629	\$15.67	\$30,776
3	76	\$15.35	\$1,167	\$19.19	\$1,458
4	188	\$20.80	\$3,910	\$26.00	\$4,888
6	228	\$32.86	\$7,492	\$41.07	\$9,364
8 & up	144	\$53.83	\$7,752	\$67.28	\$9,688
Monthly					
5/8 & 3/4	60	\$5.50	\$330	\$6.87	\$412
1	0	\$5.94	\$0	\$7.42	\$0
1 1/2	84	\$6.76	\$568	\$8.45	\$710
2	120	\$7.48	\$898	\$9.35	\$1,122
3	24	\$8.42	\$202	\$10.52	\$252
4	60	\$10.23	\$614	\$12.79	\$767
6	72	\$14.25	\$1,026	\$17.81	\$1,282
8 & up	48	\$21.24	\$1,020	\$26.55	\$1,274
Consumption Charge:	100/cu.ft.				
Proposed					
Small (5/8-2" meters)	3,261,885	\$2.85	\$9,299,635	\$3.56	\$11,625,359
Medium (3&4" meters)	398,697	\$2.42	\$963,251	\$3.02	\$1,204,064
Large (6" & up meters)	323,570	\$2.05	\$662,348	\$2.56	\$828,015
Fire Protection:					
Public Hydrants	2,265	\$381.20	\$863,418	\$476.48	\$1,079,227
# bills	52	\$4.95	\$257	\$6.19	\$322
Private Fire Protection					
4 in	16	\$166.36	\$2,662	\$207.92	\$3,327
6 in	112	\$437.84	\$49,038	\$547.28	\$61,295
8 in	28	\$903.40	\$25,295	\$1,129.16	\$31,616
10 in	1	\$1,610.40	\$1,610	\$2,012.84	\$2,013
12 in	1	\$2,586.56	\$2,587	\$3,232.96	\$3,233
hydrant	157	\$437.84	\$68,741	\$547.28	\$85,923
Total			=====		=====
			\$12,687,340		\$15,860,005
Plus: Misc Revenues			\$279,014		\$279,014
			=====		=====
Pro Forma Revenue			\$12,966,355		\$16,139,020
Required Revenue			\$15,977,500		\$15,977,500
Difference			(\$3,011,145)		\$161,520
Increase in Revenues					\$3,172,665
Increase in Rate Revenues					\$3,172,665
Percent Increase in Total Revenues					24.47%
Percent increase in Rate Revenues					25.01%

SUMMARY OF COST OF SERVICE

	<u>Test Year</u>	<u>Adjustments</u>	<u>Rate Year</u>
Revenues			
Service Charges	\$748,498	\$187,112	\$935,610
Metered Rates	\$10,925,234	\$2,732,205	\$13,657,439
Fire Protection	\$1,013,608	\$253,348	\$1,266,956
Miscellaneous	<u>\$279,014</u>	<u>\$0</u>	<u>\$279,014</u>
<i>Total Revenue</i>	\$12,966,355	\$3,172,665	\$16,139,020
Expenses			
<u>O&M</u>			
Supply	\$3,883,458	(\$254,521)	\$3,628,937
Pumping	\$558,522	\$9,417	\$567,939
Treatment	\$170,339	\$11,546	\$181,885
T&D	\$796,437	\$47,446	\$843,883
Customer	\$267,944	\$17,935	\$285,878
Admin	<u>\$1,908,590</u>	<u>\$156,491</u>	<u>\$2,065,082</u>
Total O&M	\$7,585,290	(\$11,685)	\$7,573,605
<u>Fixed Charges</u>			
Debt Service	\$3,899,419	(\$3,488)	\$3,895,931
Reserves and Coverage	\$238,081	(\$187,068)	\$51,013
Renewal & Replacement	\$100,000	\$0	\$100,000
Infrastructure Replacement	\$3,464,600	\$615,400	\$4,080,000
Payroll Taxes	\$123,920	\$11,335	\$135,255
PILOT	<u>\$23,172</u>	<u>\$0</u>	<u>\$23,172</u>
Total Fixed	\$7,849,192	\$436,179	\$8,285,371
<u>Operating Revenue</u>	<u>\$0</u>	<u>\$118,524</u>	<u>\$118,524</u>
<i>Total Expenses</i>	\$15,434,482	\$543,018	\$15,977,500